

**Amendments to the Specification:**

Please replace paragraphs 6 – 8 on page 10 with the following amended paragraphs:

**Figure 6** is a flowchart depicting a method for processing service futures contract services~~contract futures~~ in accordance with a preferred embodiment of the present invention;

**Figure 7** is a flowchart depicting a method for buying a service futures contract services~~contract futures~~ in the SerFEx in accordance with a preferred embodiment of the present invention;

**Figure 8** is a flowchart depicting a method for selling a service futures contract services~~contract futures~~ in the SerFEx in accordance with a preferred embodiment of the present invention;

Please replace paragraph 1 beginning on page 27 with the following amended paragraph:

**Figure 6** is a flowchart depicting a method for processing service futures contracts~~services contract futures~~ in accordance with a preferred embodiment of the present invention. The process is initiated by the receipt of an order from an authorized intermediary (step **602**). Prior to executing the order, certain parameters must be understood, such as, the terms of the service contract, price the customer's identity, and the order type (order types include, but are not limited to, market, limit, contingent, contingency, stop, market-if-touched (MIT), alternative, and scale) (step **604**). Next, the order database is searched for a match based on the contract type, price, and the type of order (step **606**). A check is made as to whether any contracts in the database match the present order (step **608**). If no matches are present a decision as to whether or not to continue the order is made (step **610**). If the decision is made to discontinue the order, the process immediately ends. On the other hand, if a decision is made to continue the order, the process again flows to step **606** where the database is again searched. The process continues to loop around until a match is detected within the database at step **608**.

Please replace paragraph 1 beginning on page 29 with the following amended paragraph:

**Figure 7** is a flowchart depicting a method for buying a service futures contracts ~~services contract futures~~ in the SerFEx in accordance with a preferred embodiment of the present invention. The flowchart depicted in **Figure 7** is taken from the perspective of a prospective buyer. The process begins with the prospective buyer identifying the needed service, performance date and time, delivery point, and the optimum price to bid on the service (step **702**). Funds are then transferred to the potential buyer's authorized intermediary to cover the trade (step **704**). It is, of course, envisioned that the buyer and the buyer's authorized intermediary have an ongoing relationship allowing the buyer to make the trade on credit, margin, or settle the account at some predetermined point in the future. Next, a buyer's order for a service futures contract ~~services contract futures~~ is placed with the buyer's authorized intermediary (step **706**).

Please replace paragraph 1 beginning on page 31 with the following amended paragraph:

**Figure 8** is a flowchart depicting a method for selling a service futures contracts ~~services contract futures~~ in the SerFEx in accordance with a preferred embodiment of the present invention. The flowchart depicted in **Figure 8** is taken from the perspective of a service provider but is similar in most respects to that of a prospective seller. The process begins with the service provider identifying the service, grade, performance date and time, delivery point, and the optimum price to ask for the service (step **802**). The service provider must then contract to provide the specified service at the date, time, and delivery point at the ask price (step **804**). If a seller is initiating the order then the contract terms will have already been defined and the only parameter left to be determined will be price so step **802** and **804** will be replaced by identifying an asking

price for the service futures contract. Next, an order is placed with an authorized intermediary including identifying the contract and ask price (step 806).

Please replace paragraph 1 beginning on page 33 with the following amended paragraph:

The primary distinction between service futures contracts ~~services contract futures~~ and royalty escrow service contract futures is the distribution of the proceeds from the first and final sale of the services contract. Royalty escrow service contract futures are a special case of a service contract where the service provider who initiates the service contract may not be the sole provider of the service. One notable example is where a service provider is the venue where an artist is under contract with the service provider/venue to perform. There the service provider/venue will make its revenue on the sale of service futures contracts ~~services contract futures~~. The service provider/venue may either hedge or speculate on the service futures contracts ~~services contract futures~~ in order to increase its revenue and shift the risk, as discussed in detail above. However, the artisan cannot participate in a price discovery process because the artisan's fees and royalty are usually contractually set. Therefore, if the right price for the service contract exceeds the price set in the contract with the service provider/venue, the artisan loses royalty while the service provider/venue can increase its share by participating in a price discovery process and speculating. The royalty escrow services contract futures mechanism is designed to protect the property rights of service providers such as artistic and sporting entertainment providers. Many contracts between service provider/venues and artisans have revenue sharing terms in their present-day forward or cash contracts to ensure that proceeds are distributed to the parties of the contract at the time of sale. Prior art commodity futures contracts ~~contract futures~~ have no such provision, so the artisan is unprotected when the right price for the service exceeds either the forward contract price or the cash contract price.

Please replace paragraph 2 beginning on page 33 with the following amended paragraph:

Turning to **Figures 9A and 9B**, the process for selling royalty escrow service contract futures is identical to the sale of basic service futures contracts ~~services contract-futures~~ until the seller receives cash for the transaction and confirmation of the sale from the authorized intermediary (step **918**). In case of escrowed royalty service contract futures, the first seller and/or service provider will not receive the royalty. Royalty payments that result from the sale of service futures contracts ~~services contract-futures~~ are held in escrow until the artisan's service has been performed. The artisan's royalty is based on the final sale price of the service contract. Therefore, a determination is made as to whether the royalty escrow service contract futures is resold (step **930**). If the contract future is not resold then the process proceeds to step **920** because the first sale is the final sale and the royalty has been computed and escrowed in step **918**. At step **920** the process then proceeds with determining the rightful owner of the service contract.

Please replace paragraph 3 beginning on page 33 with the following amended paragraph:

Processing orders for service futures contracts ~~services contract-futures~~ is normally performed every twenty-four hours, at the mark to market time. At that time all outstanding contracts are settled and the futures market is cleared. Commodities contracts are usually transferred to the cash market the beginning of the trading day prior to the deliver date. In so doing each commodity is trading in the cash market for approximately the same duration. Throughout the description of the present invention, the SerFEx must determine whether a services contract order is to be processed in the futures market or in the cash market. Unlike physical commodities futures, which usually ripen on a monthly basis, services contract may ripen at any time of the day or night. Ideally, switching a services contract from the futures market to the cash market

should occur at the same relative time for each service with respect to that services performance time. Therefore, rather than switching all ripe service contracts at the same time, without regard to the time of performance, every service contract will be switched N hours from its time to perform, or at its ripe time. Ripe service contracts are traded in the cash market. Thus, services contracts will move from the futures market to the cash market all hours of the day and night (remembering that trading takes place twenty-four hours a day and seven days a week in the SerFEx). By switching service contract from one market to the other every N hours, each service contract spends approximately the same number of hours being traded in the cash market.